

FISCAL NOTE
SB 08 - HB 47
FIRST EXTRAORDINARY SESSION

April 6, 1999

SUMMARY OF BILL: Deletes the expiration clause for a special exemption established in TCA 67-4-905((c)(2). The exemption enables certain corporate franchise taxpayers to exclude from their franchise tax base the value of indebtedness owed to, or guaranteed by, a parent company. The exemption only applies to a corporation that is an affiliated corporation of a foreign entity operating in the United States for the purpose of facilitating the financing of the company's United States operations. This exemption is currently set to expire for corporations with fiscal years ending after September 30, 1999. The bill also proposes to delete TCA 67-4-905(c)(3)(A) and (B), which requires corporations taking this exemption to provide a schedule showing the tax effect of this deduction.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$805,000

The total decrease in state revenues is unable to be determined but can be estimated to exceed \$805,000. Based on information provided by the Department of Revenue, there are currently two corporations that are utilizing the exemption.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director